

Building Jordan's Sustainable Microfinance Industry Challenge

Lack of access to capital was once a major obstacle for low-income Jordanians. Without credit history or collateral, the poor are generally regarded as too high-risk by commercial banks, making it difficult for them to get the loans they need to start or expand their businesses. While some lending institutions offer subsidized loans which are more affordable to borrowers, this practice is not sustainable and can drain a country's economy by placing extra stress on a government's budget or create a dependence on uncertain funding from international donors.



Photo: Mahmoud Shawkat

Muzayna Al Moghrabi's microfinance loan helped her start a supermarket in Jerash.

"[This] program has been the main catalyst for building the capacity of microfinance practitioners, as well as for advancing the industry at large."

- Niveen Abboushi-Sharaf, Former Board Member, Microfund for Women.

Initiative

USAID is helping to build a sustainable microfinance industry in Jordan to help the poor improve their economic well-being through entrepreneurship. Sustainable microfinance provides small, unsubsidized loans at interest rates that are both commercially viable for the lender and affordable for the borrower. Using character references and joint liability through group lending to evaluate loan eligibility, sustainable microfinance serves those who are not considered 'bankable' and rewards timely repayment with access to larger loans.

Through assistance, training, and targeted grants, USAID established four sustainable microfinance institutions that provide loans to clients throughout Jordan. To support these institutions and encourage best practices throughout the industry, related initiatives were created, such as regional training programs and a temporary fund to help guarantee lines of credit from commercial banks.

Results

By early 2004, more than 60,000 micro-entrepreneurs had borrowed more than \$72 million through the USAID-supported microfinance institutions. Most of the borrowers are women, using the funds to create small and home-based businesses to support their families. The repayment rate is over 95%, challenging the prevailing attitude that the poor are not creditworthy. The microfinance institutions enjoy a high rate of operational sustainability, proving that sustainable microcredit is a viable business. In just five years, the institutions' success has made Jordan a leader in promoting sustainable microfinance as a way to eliminate poverty and empower the working poor to achieve economic self-sufficiency.

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